

Co-operatives National Law (NSW)

CO-OPERATIVE FORMATION

DISCLOSURE STATEMENT

FOR THE FORMATION OF A DISTRIBUTING CO-OPERATIVE

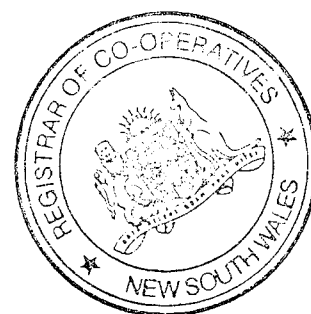
NAME OF PROPOSED CO-OPERATIVE:

WARATAH ALPACA FIBRE CO-OPERATIVE LIMITED

DATE OF APPROVAL:

17	/	05	/	2018
DD		MM		YY

**THIS DISCLOSURE STATEMENT IS VALID FOR A PERIOD
OF 6 MONTHS FROM DATE OF APPROVAL
FOR ISSUE WITHIN THE STATE OF NEW SOUTH WALES**



DISCLOSURE STATEMENT

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DISCLOSURE STATEMENT

1. INTRODUCTION

Explanation of this statement

The Co-operatives National Law (NSW) (the CNL) requires that a draft disclosure statement for a proposed distributing co-operative is to be presented to the formation meeting. This disclosure statement sets out information necessary to ensure eligible members are adequately informed of the nature and extent of a person's financial involvement or liability as a member of the proposed co-operative.

1.1 Name

Waratah Alpaca Fibre Co-operative Limited

1.2 Registered office

C/-O'Keefe Accounting Pty Ltd
19/125 Fern Street
Gerringong NSW 2534

2 BACKGROUND AND DEMAND FOR SERVICES

2.1 Background to forming the co-operative

The rationale for setting up the co-operative lies in the commercial constraints associated with low volume in developing a viable fleece market. Most commercial fibre processes require a minimum of 5-10 tonnes of volume. Almost all growers of alpaca fibre produce relatively small volumes of fibre which, in turn, is highly differentiated by key traits such as micron, staple length and colour. This results in extremely high logistic and labour costs of production associated with shearing, classing and baling costs, with shearing costs alone ranging between \$AU5-20 per animal. The lack of economies of scale for alpaca fibre production results in harvesting costs alone to be about \$AU15 to \$AU20 per kilo (AAFT breeder survey, 2011). This is about 7-10 times more than the cost of harvesting merino wool. Add classing and baling costs on top of this and you have a product that is not competitive in the open market.

The co-operative intends to overcome these constraints by pooling fibre from its members and non-member producers and achieving economies of scale by classing and baling from a central facility, thereby reducing the cost to the individual breeder. The co-operative will also run fleece preparation workshops for breeders to assist with effective shearing practices and quality control at collection points, reducing contamination,



wastage and focusing on continuous improvement.

With consumers globally becoming increasingly conscious of supporting ethical business, the co-operative structure is seen to be the most suitable for the organisation. The co-operative can position itself as a market leader in supplying ethical fleece as measured by cruelty-free animal management, a fair farmgate price and distributing returns amongst its producer members.

2.2 Objects

The objects of the co-operative are to:

- maximise the returns to members for the sale of their alpaca fibre
- develop the NSW & Australian alpaca fibre industry, supporting quality, sustainable production and increasing supply to purchasers in all colours and classes.

2.3 Preconditions

The minimum subscription level for the successful commencement of activities is 10 members.

There are no other preconditions that must exist for the co-operative to be formed.

2.4 Demand for services/business plan

The international and domestic market for alpaca fleece is growing steadily. Australian Alpaca Association research (January 2018) indicated that the international demand for alpaca fibre exceeds supply.

A recent fact-finding mission to China by representatives of the AAA Board and a Chinese market consultant, which included meetings with the China Wool Textile Association, Austrade and a couple of processing plants, indicated a shortfall of demand in China of approximately 3,000 tonnes per annum. Supply from Australia due to its geographical proximity could be an attractive proposition for this market.

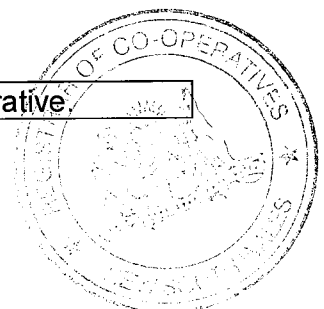
Buyers have also already expressed significant interest in dealing with a co-operative rather than farm direct due to the advantage of volume of supply and quality control assurances.

A business plan has been developed and is at annexure 1.

3. MEMBERSHIP

3.1 Who can be a member

Only alpaca fibre producers may be members of the co-operative



Members may be individual persons of any age or a corporate entity. A membership can be jointly held by more than one person or corporate entity.

3.2 Application for membership and shares

Applications for membership must be lodged at the registered office in the application form approved by the board, and should be accompanied by payment:

- of the entry fee of \$50
- of the annual subscription of \$100
- for allotment of at least the minimum number of shares in the co-operative, ie. \$1,000 for 10 shares at \$100 each.

Every application must be considered by the board.

If the board approves of the application, the applicant's name and any other information required under the CNL must be entered in the register of members within 28 days of the board's approval.

The applicant must be notified in writing of the entry in the register and the applicant is then entitled to the privileges attaching to membership.

The board may, at its discretion, refuse an application for membership.

The board need not assign reasons for the refusal. On refusal any amounts accompanying the application for membership must be refunded within 28 days without interest.

3.3 Rights and liabilities attaching to membership and shareholding

Active members have the right to be nominated or to nominate another person to be a director of the co-operative.

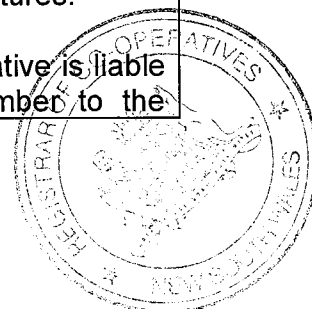
Members are entitled to be given notice of and to attend all general meetings.

The entry fee, annual subscription fee and minimum number of shares a member must hold are outlined in section 3.2.

No share is to be allotted unless 100% of the nominal value of the share has been paid. Members may hold more than 10 shares provided that no one member holds more than 20% of the total issued share capital of the co-operative.

There is a fee of up to \$10 for the transfer of shares or debentures.

On winding up of the co-operative a member of the co-operative is liable to the co-operative for any charges payable by the member to the



co-operative as required by the rules of the co-operative.

Resignation

A member may resign from membership of the co-operative by giving 28 days' notice in writing. Once resignation is effective, the member's shares must be cancelled and forfeited. Subject to the terms of issue of those shares, the share capital is repayable by the co-operative to the member, less any amounts owed by the member to the co-operative (see rule 12).

Expulsion

A member may be expelled from the co-operative if the member:

- fails to discharge their obligations under the rules or any agreement or contract entered into with the co-operative
- prevents or hinders the co-operative from carrying out any of its primary activities
- brings the co-operative into disrepute
- acts contrary to one or more of the co-operative principles.

The procedure for expulsion is governed by the rules (see rule 10). Once expelled, the member's share capital is cancelled and forfeited. Subject to the terms of issue of those shares, the share capital is repayable by the co-operative to the member, less any amounts owed by the member to the co-operative (see rule 12).

Cancelled due to inactivity

Membership may be cancelled if the member does not comply with the active membership rule for 2 consecutive years (see rules 5 and 21).

The shares of a member whose membership is cancelled due to inactivity must also be cancelled and repaid subject to any terms of issue of those shares and less any amounts owing by the member to the co-operative.

The Co-operatives National Law (CNL) provides rules for the repayment of shares of cancelled members as well as resigning or expelled members, including the substitution of outer securities for those shares.

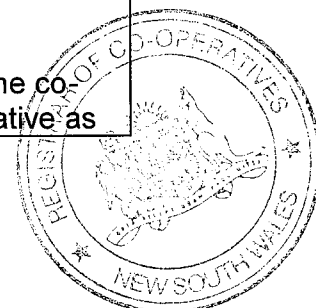
Liability

The co-operative is a separate legal entity and has limited liability.

Members and directors are not liable for any debts of the co-operative. If the co-operative is wound up and there are insufficient assets of the co-operative to satisfy the co-operative's debts then members bear no personal liability for those debts.

If the co-operative is wound up in insolvency, then:

- members may lose their share capital
- members will be liable for any fines imposed on them by the co-operative, or any charges payable by them to the co-operative as



required by the rules of the co-operative
if a member owes money to the co-operative under a contract then the member will be liable to pay those amounts to the co-operative.

3.4 Voting rights of members

Active members of the co-operative will each have one vote at co-operative general meetings. The right to vote is a right of membership and is not related to the number of shares that may be held by a particular member.

A membership may be jointly held by more than one person but there is still only one vote in respect of that membership.

3.5 Ceasing membership and forfeiture of shares

A person will cease to be a member and may have his or her shares forfeited in the following circumstances:

- if the member becomes bankrupt or insolvent
- if the membership contract is cancelled because of a misrepresentation or mistake in law
- if the member's total shareholding is transferred to another person and the transferee is registered as the holder of the shareholding
- if the member's total shareholding is forfeited under the CNL or these rules
- if the member's total shareholding is purchased by the co-operative under the CNL or these rules
- if the member's total shareholding is sold by the co-operative under any power in the CNL or these rules and the purchaser is registered as shareholder in the member's place.

4. PRIMARY ACTIVITY AND ACTIVE MEMBERSHIP

4.1 Primary activities

The co-operative's active membership rule identifies the co-operative's basic reason for existence, or primary activities, as being:

- the collection, pooling, classing, marketing and sale of raw alpaca fibre for its members
- education and training of members in relation to shearing, skirting and fleece preparation to assist with the supply and quality of alpaca fibre
- bulk purchasing for its members including the purchase of freight, storage and scouring services.

4.2 Active membership

Members must satisfy the following obligation in order to be active.



Failure to comply with this obligation will mean that a member is not entitled to vote. The co-operative is required to cancel the membership of any member who has been inactive for the period of 2 years.

In order to be active, a person must supply to the co-operative every financial year 30kg of prepared and skirled alpaca saddle fleece with a length of at least 50mm and no more than 140mm.

5. OPERATION OF THE CO-OPERATIVE

5.1 Carrying on primary and other activities

The co-operative will:

- class, market and sell raw alpaca fibre for its members
- educate and train members in relation to shearing, skirting and fleece preparation
- bulk purchase for its members including the purchase of freight, storage and scouring services.

The co-operative will need a shed for classing and storage as well as skirting tables, stands and bale bags to commence operations.

Members will supply prepared and skirled alpaca saddle fleece with a length of at least 50mm and no more than 140mm and alpaca fleece to the co-operative.

More detail is contained in the business plan at annexure 2.

5.2 Details of any pre-registration contracts that have been or will be entered into before registration of the co-operative

There are no pre-registration contractual obligations, guarantees and indemnities, contingent liabilities, unresolved or pending law suits that would require ratification or assumption of any liability by the co-operative once formed.

5.3 Details of any contracts members will have to enter into with the co-operative

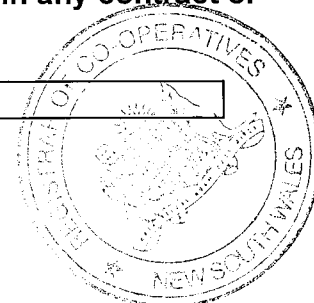
There are no contracts members will have to enter into with the co-operative.

5.4 Contracts with promoters or other parties

There are no contracts with promoters.

5.5 Details of any interest of proposed directors or members in any contract or proposed contract

It is proposed that:



- to commence operations the co-operative will lease a shed from Coolawarra Alpacas at Mittagong for classing and storage for \$1,000 per month. Coolawarra Alpacas are intending to apply for membership of the co-operative with Michael Williams, a co-owner, as their authorised representative.
- Michael Williams will be engaged initially as a part-time managing director of the co-operative paid \$50,000 per annum.
- the co-operative will engage O'Keefe Accounting Pty Ltd to provide accountancy and taxation advice and to prepare and lodge quarterly business activity statements and to prepare annual financial statements for audit. O'Keefe Accounting Pty Ltd's fee for this initial annual engagement will be \$5,000 per annum. Steven O'Keefe is a director of O'Keefe Accounting Pty Ltd and a proposed director of the co-operative.

6. MANAGEMENT OF THE CO-OPERATIVE

6.1 Board of directors

The board must have at least 4 directors and no more than 6.

Directors must be over the age of 18 years and either:

- an active member of the co-operative or a representative of a corporation that is an active member of the co-operative; or
- not an active member but who possesses special skills in management or other technical areas of benefit to the co-operative as specified by the board from time to time.

The business of the co-operative is to be managed by or under the direction of the board of directors, and for that purpose the board has and may exercise all the powers of the co-operative that are not required to be exercised by the co-operative in general meeting.

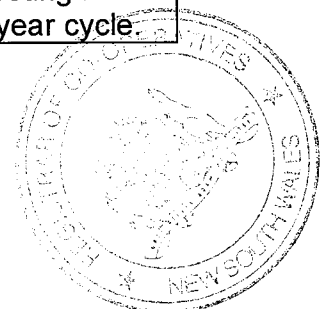
Directors are entitled to be paid expenses for attendance at meetings. Any other remuneration will be approved by the members at the AGM or at a special general meeting to consider remuneration. Indemnity insurance will be provided.

6.2 Election of directors

The first directors are elected by poll at the formation meeting of the co-operative.

The term of office of directors is to be 3 years except for the first directors whose terms of office shall be determined at the formation meeting in order to provide for staggered director elections over a three-year cycle.

6.3 First directors and officers



The names and experience of those who have consented to being nominated for election as directors are:

Steven O'Keefe

151 Strongs Road, Jaspers Brush NSW 2535

0488 344 666

Chartered Accountant, B.Com., Registered Company Auditor and Registered Tax Agent. 30 years public practice accountancy experience including 25 as a partner /principal in his own firms. Director and Treasurer of the Australian Alpaca Association Ltd since 2017. Chairman of the AAA Audit & Risk Committee since 2016. Past Vice President & Treasurer of the Southern NSW region of the AAA. Alpaca breeder and member of the AAA since 2013.

Michael Williams

7 Olive Lane Bargo NSW 2574

0407 407 618

B.Com, 30 years' experience in motor dealership management. Alpaca breeder and member of the AAA since 2003. Full time alpaca farmer, managing 2 large herds. Breeds both Huacaya and Suri. Currently studying wool classing TAFE certificate. Judge at AAA Youth Parader events and has judged at National level.

Robert Kingwell

59 River Forest Road Monga via Braidwood NSW 2622

02 4846 1105

B Sc (Technology) in Civil Engineering, 31 years' experience owning and managing own retail business. Seven years farming fruit & vegetables in North Queensland. Alpaca breeder and member of the AAA since 2007. Qualified and experienced AAA shearing shed & pre-classing trainer.

Dale Brown

2272 Queens Pinch Road Meroo NSW 2850

0458 302 845

Health worker employed with NSW Health. President of the NSW region of the AAA since 2017. Past President, Vice President and Newsletter Coordinator of the NSW Central Western Region of the AAA. Alpaca breeder and member of the AAA since 2003.

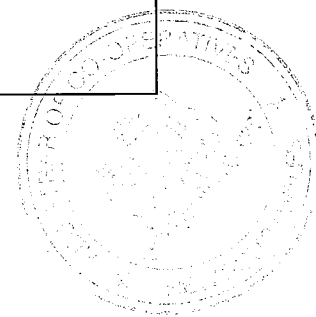
Deb Smith

Shangrilah Alpacas Howell Road Stanborough NSW 2360

0412 010 743

Registered Nurse working in the disability sector including 12 years in various management roles. Current Vice President of the NSW region of the AAA. Past President, Vice President & Secretary of the Central Coast & Hunter Region of the AAA. Alpaca breeder and member of the AAA since 2005. Suri Breeder.

Debra Trostian



95 Whipbird Road Pheasants Nest NSW 2574
0417 689 197
Current member of the AAA NSW Regional Committee. Past President & Vice President of the Sydney Coast & Highlands Region of the AAA. Convenor of Camden Alpaca Show since 2011, the Charles Ledger Fleece Show since 2012 and the Charles Ledger Halter Show since 2017.

6.4 Day to day management

The name of the person who has agreed to be responsible to the board of directors for day-to-day management of the co-operative and brief details of his/her experience are as follows:

Michael Williams
7 Olive Lane Bargo NSW 2574
0407 407 618
B.Com, 30 years' experience in motor dealership management. Alpaca breeder and member of the AAA since 2003. Full time alpaca farmer, managing 2 large herds. Breeds both Huacaya and Suri.

Management is to be initially paid and part-time.

7. FINANCIAL INFORMATION

7.1 Start-up funds

The capital required for the co-operative at the time of formation is \$11,500.

Internal Source of Funds:

The number of persons, who qualify for membership of the co-operative and have indicated in writing their intention to join the co-operative, is 20.

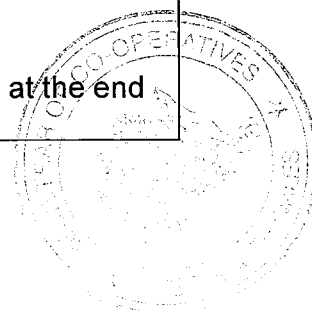
The total number of shares to be subscribed by these persons is 200 shares.

Total share capital to be subscribed is	\$20,000
Total entrance fees are	\$1,000
Total initial subscriptions or levies are	\$2,000
Total other charges are	\$0

External Source of Funds:

The co-operative has secured grant funding of \$11,952 including GST from the Federal Farming Together program for its business planning and formation process. Details are provided at annexure 1.

Ten-year profit and loss and cash flow forecasts are provided at the end of the business plan at annexure 2.



7.2 Formation expenses

The estimated costs of formation are \$11,952 including GST.

The formation expenses incurred prior to the formation meeting which are to be recouped once the co-operative is formed are \$0.

Note: grant funding has been received from the Federal Farming Together program to assist with formation expenses (see annexure 1).

7.3 Returns to members

If there are any surplus funds from operations in the first two years, then the board will determine whether and then how these funds will be returned to members or whether they will be retained to build up the resources of the co-operative.

The board will refine the business plan to address issues arising from the first two years of operation and to consider the most appropriate manner to distribute any future surplus funds generated by the co-operative.

7.4 Accounting and auditing

Steven O'Keefe will initially be responsible for the general accounting and financial functions of the co-operative until other assistance is arranged.

The books of account will be maintained at the registered office and will be available for inspection by any member during normal business hours.

The co-operative's accounts will be set up using an online accounting package such as Xero, Reckon Hosted or MYOB Online. The cost of this package will be paid by the co-operative.

The co-operative's rules require the appointment of an auditor at its formation meeting to provide members with audited financial statements.

Members interested in the financial records and financial position of the co-operative are entitled to request access to these records. Waratah Alpaca Fibre Co-operative Limited is committed to member accountability and transparency.

8 RISKS

The risks associated with the establishment of the co-operative are:

- insufficient capital to commence operations
- necessary planning or other approvals not obtained
- changes to economic conditions in Australia and overseas
- drought or other weather conditions



- changes in technology
- inability to enter contracts
- volatility of market price for necessary goods and services
- ineffective marketing
- engagement of loyalty by members.
- being unable to attract sufficient members
- inability to attract trained and experienced staff.

A range of activities to mitigate the risks of the enterprise will be undertaken. Comprehensive insurance cover will be obtained and a work, health and safety policy developed.

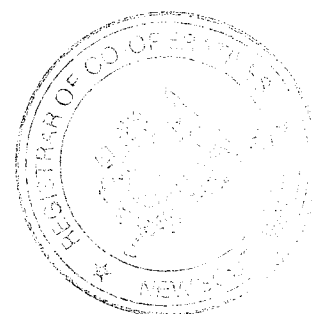
9 LIST OF ANNEXURES

- 1 Grants
- 2 Business Plan (including financial forecasts)

10 FURTHER INVESTIGATION

It is not possible for a disclosure statement to include all material relevant to the proposed co-operative's circumstances and to the circumstances of each prospective member.

Each prospective member is advised to make further enquiries (including the obtaining of professional advice) if they consider this is necessary.



DISCLAIMER OF LIABILITY:

This disclosure statement has been approved by the Registrar of Co-operatives for the purpose of section 25(4) of the Co-operatives National Law (NSW) (the CNL). This approval is not to be taken in any way as an indication that the disclosure statement sets out all information that may be relevant to the proposal.

Approval does not relate in any way to the merits or otherwise of the co-operative's proposed activities. No responsibility as to the contents of the disclosure statement and attachments and annexures that form part of this document and the associated Rules which all collectively make up the formation documentation, is to be taken by the Registrar, NSW Fair Trading or by any of its servants or agents.

The responsibility for ensuring that the CNL has been complied with in relation to the preparation of the disclosure statement lies with those issuing the statement. Persons making false or misleading statements in a disclosure statement may be liable for criminal penalties and expose themselves to civil liability to anyone who suffers loss as a consequence.

CERTIFICATION:

We the undersigned, certify that this is a copy of the disclosure statement which was presented to the formation meeting on ___/___/_____ for the purpose of forming a co-operative to be known as:

Waratah Alpaca Fibre Co-operative Limited.

Signature Chairperson of formation meeting

Signature Secretary of formation meeting



If this is your first time logging into the case management system, you can set your password by selecting 'forgot password' on the login page. Enter your email address and you will be sent an email asking you to set your password. Please access the system to complete your report via the link below.

https://mail.google.com/mail/u/0/?ui=2&ik=3872224&view=as2_CivbUan_G8.&view=plmng=194163sub21a07b3e-02006&pr=lnv&search=query&int=e 1

Grants

08/04/2016

Gmail - Standard Quoted Service - Case No: 02606



Sam Byrne <salbyrne@gmail.com>

Standard Quoted Service - Case No: 02606

Info@farmingtogether.com.au <info@farmingtogether.com.au>
To: sccc@cooperativew.coop

12 December 2017 at 20:42



**Farm Co-operatives
& Collaboration**

Pilot Program

Complex Expert Services - 02606

Dear Sam Byrne,

You have been allocated a new Farmer Group for Export Support. Please log into the Farming Together system to review this case. Please contact the Farmer Group within 48 hours to arrange a time for a 3-hour consultation with at least 2 primary producers.

Service: Co-op Establishment

Quota: \$ 5024

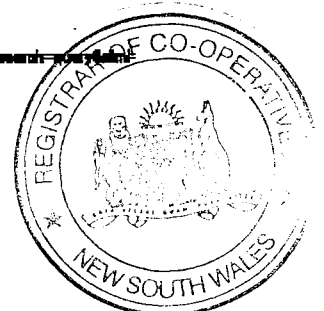
Description: Provide services in accordance with Quota 2 for Business Planning, Formation and Registration of Warrah Alpaca Fibre Co-operative. This allocation is for Stage 2 being: - Draft rules and foundation disclosure statement - Pre-formation meeting - Commencement of registration process - Formation meeting - Complete registration process. Please report back to Farming Together when co-op registration documents have been submitted and when co-op has been registered.

Farmer/group name: Steven O'Keefe

Group name: Alpaca Association

If this is your first time logging into the case management system, you can set your password by selecting 'forgot password' on the login page. Enter your email address and you will be sent an email asking you to set your password. Please access the system to complete your report via the link below.

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ANNEXURE 2

VERSION FINAL

APRIL 15, 2018



BUSINESS PLAN

WARATAH ALPACA FIBRE CO-OP

SUJI UPASENA

CO-OPS NSW

Farming Together (Pilot Program)

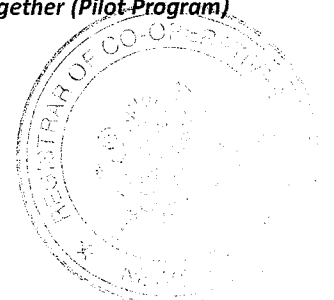


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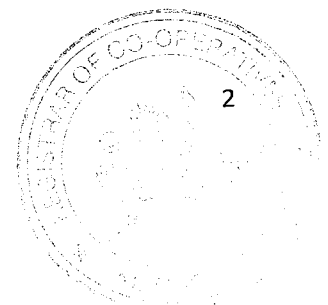
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INDUSTRY OVERVIEW

Alpacas originated from South America and were imported to Australia and New Zealand in 1989. “Peru is home to more than 3.5 million alpacas, which makes up about 80 per cent of the global herd” (The Lead, June 2017).

There has been significant growth in herd size in Australia over the last 15 years with a registered herd size of 33,000 animals in 2002 growing to over 180,000 animals and around 2,300 breeders registered to date, according to the Australian Alpaca Association (AAA). The AAA, estimates that the actual herd size in Australia is double that and forecasts the national herd size will expand to over 1 million alpacas by 2021 (ABC News Article, 11 Jan 2018).

Alpacas are resilient animals, bred for their fleece, meat and leather. In Australia, alpacas are bred mainly for their fleece. Alpacas have an average life span of between 15-20 years, producing between 1.5-4kg or more of fleece each year.

There are two major varieties of Alpacas; Huacaya and Suri. The more common type in Australia is Huacaya. Currently, only a small percentage of alpacas are Suri's, although herd sizes are continuing to grow as they respond better to the Australian climatic conditions and husbandry practices (AAA). For comprehensive information on alpacas, including fact sheets, resources and best practice guidelines refer to the Australian Alpaca Association (AAA).

AAA is the Industry Organization for alpacas in Australia. The proposed Waratah Alpaca Fibre Co-op (WAFC) will be set up with the full support of the AAA, with some members of the AAA becoming directors of the proposed Co-op. WAFC will be autonomous and operate independently of the AAA with a focus on developing markets, especially the Asian market for Australian fleece.

Please refer Annex 1 for references, methodology and sources of information for the business plan.

RATIONALE FOR WAFC

The rationale for setting up Waratah Alpaca Fibre Co-op (WAFC) lies in the commercial constraints associated with low volume, in developing a viable fleece market. Most commercial fibre processes require a minimum of 5-10 tonnes of volume. Almost all growers of alpaca fibre produce relatively small volumes of fibre which in turn, is highly differentiated by key traits such as micron, staple length and colour. This results in extremely high logistic and labour costs of production associated with shearing, classing and bailing costs, with shearing costs alone ranging between \$AU 5-20 per animal. The lack of economies of scale for alpaca fibre production results in harvesting costs alone to be about \$AU15 to \$AU20 per kilo (AAFT breeder survey, 2011). This is about 7-10 times more than the cost of harvesting merino wool. Add classing and baling costs on top of this and you have a product that is not competitive in the open market.



The WAFC intends to overcome these constraints by pooling fibre from its members and non-member producers and achieving economies of scale by classing and baling from a central facility, thereby reducing the cost to the individual breeder. WAFC will also run annual fleece preparation workshops for breeders to assist with effective shearing practices and quality control at collection points, reducing contamination, wastage and focusing on continuous improvement.

MARKET

The international and domestic market for alpaca fleece is growing steadily. "In 2011-12 an estimated 188 tons of alpaca fibre was produced in Australia with a gross value of AU\$2.6M" (Agri Futures Australia).

To date, members of the proposed Co-op have received domestic and international enquiries for purchase of both Huacaya and Suri fleece. Buyers have expressed "significant interest in dealing with a cooperative rather than farm direct due to the advantage of volume of supply and quality control assurances associated with professional classing and pre-classing standards" according to Steven O'Keefe, WAFC.

Current President of the AAA, Ian Frith in a recent interview stated that demand for fleece currently outstrips supply. A recent fact-finding mission to China by representatives of the AAA Board and a Chinese Market consultant, which included meetings with the China Wool Textile Association (CWTA), Austrade and a couple of processing plants, indicated a shortfall of demand in China of approximately 3,000 tonnes per annum. China is currently sourcing raw fibre from South America twice a year. Supply from Australia due to its geographical proximity could be an attractive proposition for this market. Currently, there is virtually no supply from the Australian market. Although small pockets of alpaca producers exist in NSW and other States, they cannot individually supply the volumes required. WAFC is positioned to meet this demand.

Michael Williams has been dealing with enquiries from a variety of international buyers including from the US and the UK. WAFC have already secured their 1st international order for 4 tonnes of white or black Suri fleece. The purchaser is looking for an annual standing order for the same.

COMPETITORS

The domestic Australian fleece market is dominated by an internationally owned company; Australian Alpaca Fleece Ltd (AAFL). AAFL had its beginnings as a breeder driven Co-op; Australian Alpaca Co-operative, formed in 1999 with nearly 1,000 members. In 2004, the Co-op structure was changed in a bid to meet the rising demand for alpaca fleece and turned into a private company; Australian Alpaca Fleece Ltd (AAFL). AAFL's majority shareholder is Inca, one of the largest alpaca fibre processing companies in the world. However, in recent years due to poor pricing and payment terms, many breeders are supplying their lower quality fleece

to AAFL or have chosen to store their supply of fibre or trash it rather than supplying it under the terms and conditions offered by AAFL. This is a potential market opportunity for WAFC.

Alpaca Fibre Network was set up in 2013 by a group of alpaca breeders around Australia with similar goals to WAFC. Their current focus seems to be on Huacaya fleece only. As per their website most of their activities are concentrated in VIC and SA with Tasmania joining in 2014. The website is very basic and doesn't indicate the number of breeders involved. They could be approached to merge with or work under the umbrella of WAFC.

WAFC would also compete for supply with direct purchasers. Australian Alpaca Yarn purchase about 1 tonne of well skirted saddle fleece annually from NSW breeders. Their micron requirement is between 8-28 with a fleece length of between 80-120mm. Prices paid ranges from between \$8.80-22/kg including GST. They currently do their own classing.

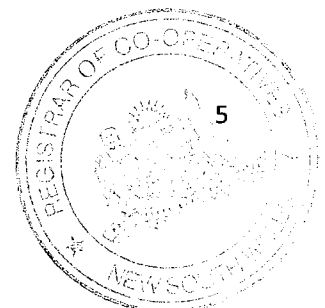
Several other direct purchasers of alpaca fibre are listed on the AAA website, under the Fleece Buyers Section.

COMPETITIVE ADVANTAGE

Quality assurance via professional classing and baling to international standards WAFC via classing, scouring and baling in-house can supply buyers with a streamlined process to source competitively priced fleece which is of a consistent quality. This will overcome existing issues around varying understanding around classing, resulting in farmgate classing having to be redone at the sales point, which is a source of frustration for both buyers and sellers.

Supply of higher volumes of a particular specification. Buyers will find it easy to source the commercial volume required through one entity, rather than having to deal with multiple entities. To date, Co-op directors' have dealt with domestic and international enquiries with potential fleece purchasers expressing significant interest in dealing with a cooperative rather than farm direct. WAFC by pooling fleece will be able to better meet rising demand for higher volumes of particular specifications.

Fair Trade Co-operative Business Model. With consumers globally becoming increasingly conscious of supporting ethical businesses, WAFC can position itself as a market leader in supplying ethical fleece as measured by cruelty-free animal management, a fair farmgate price and distributing returns amongst its producer members.



BUSINESS MODEL

OWNERSHIP AND LEGAL STRUCTURE

Waratah Alpaca Fibre Co-op (WAFC) is a member owned for-profit Co-operative registered in NSW and operating nation-wide. For more information on WAFC please refer Annex 2.

WAFC will purchase fleece from member and non-member alpaca breeders in Australia and process it and sell it to the domestic and international market.

CUSTOMER SEGMENTS

As a Co-op, WAFC has 2 main customer segments:

- Co-op member and non-member breeders of alpaca fleece in Australia (breeders)
- Domestic and international wholesale buyers (buyers)

Two major challenges that alpaca breeders in Australia currently face are as follows:

- Meeting quantity and quality specifications demanded by domestic and international buyers
- Securing a competitive price for raw fleece

On the demand side, buyers face issues with sourcing a particular type of fleece in the required quantities.

The proposed Co-op effectively deals with both the supply and demand side challenges by pooling fleece from small to large breeders scattered throughout NSW and other states and baling into saleable quantities.

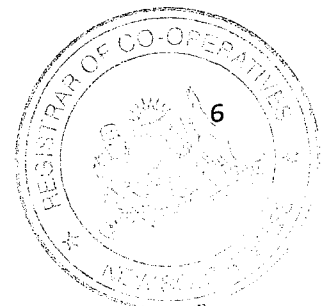
Having larger quantities for sale, which are properly classed also means being able to negotiate a better final price for the fleece, resulting in better returns to breeders.

VALUE PROPOSITION

Breeders

One-stop sales point for all types of raw alpaca fleece at a fair price. Breeders can expect consistency and transparency in terms of quality of fleece accepted, convenient drop off points, zero produce waste and better returns. Members of WAFC will receive an extra 14 per cent return on the supply of their fleece to the Co-op compared to non-member suppliers.

Buyers



One-stop shop for Australian alpaca fleece (neck, saddle and skirtings), classed according to the Australian Alpaca Code of Practice, which is based on AWEX classing standards.

VISION

Be the premium clearing house for NSW & Australian alpaca fibre with a reputation for supplying high quality fibre to both domestic and international buyers

MISSION

- **Capture a major share of the domestic supply by offering fair prices to breeders and the option to profit-share through the Co-op model**
- **Implement stringent quality control and a commitment to continuous improvement in business processes**
- **Exchange knowledge and learning domestically and internationally to follow and lead best practise**

CUSTOMER RELATIONSHIPS & MARKETING CHANNELS

Customer relationships with both breeders and buyers will be personal with some automation. A personal relationship will be built at the start to instil trust and confidence as well as get a solid understanding of the needs of both groups, so that the Co-op can position itself to effectively meet those needs.

Automation will be used to ensure lines of communication are kept open and the relationship is maintained. Email, Facebook and a quarterly e-newsletter will be used to impart relevant updates to breeders and keep the customer base engaged with WAFC. Upcoming shearing workshops, customer surveys etc. will be managed on this platform.

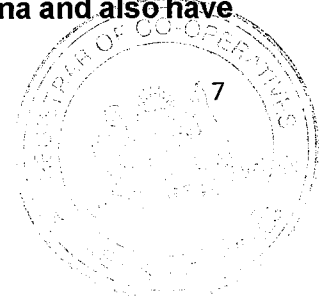
Instagram will be utilized to build brand awareness and educate buyers about the different types (classes, colours, lengths) of fleece available.

Trade shows will be used to link up with buyers. WAFC plans to have a presence at the China Wool Textile Association Trade Fair on an annual basis. In association with the AAA, WAFC are also looking to hire a Business Development Manager with expertise in the Chinese Market to assist with developing the Chinese and other markets for Australian alpaca fibre.

MARKETING PLAN

WAFC will source funds to recruit a full time Business Development Manager (BDM) to develop the Chinese market as well as identify other lucrative domestic and international marketing opportunities for WAFC. The BDM will also lead the branding and social media strategy for WAFC and implement it.

WAFC is exploring a potential Joint Venture with Michelle Wool, an Adelaide based wool broking, scouring and carbonizing facility with a strong Chinese network. They are keen to work with WAFC to meet the rising demand in China and also have



a facility based in China. WAFC will use their established transport and logistics freight system to transport fleece to Michelle Wool's warehouse in Cowra, NSW to be freighted to Adelaide for scouring and export.

The Co-op will look at promoting its product and services to both members and fibre purchasers through display stands at the following shows:

- Australian Wool & Sheep Show
- Australian Alpaca Spectacular
- Sydney Royal Show
- Canberra Royal Show
- China Wool & Textile Association Trade Fair

Upon incorporation the Co-op will provide a media release with the view of obtaining press coverage via the likes of The Land Newspaper and ABC Rural.

Quarterly electronic newsletters will be prepared and distributed to update members with details such as collection days, supply requirements, training workshops, orders and other matters of note.

AAA will have a trade stall at the upcoming Chinese Wool & Textile Association Expo in mid-April 2018 to promote Australian fibre to the Chinese market.

BRANDING AND POSITIONING

WAFC will position itself as a wholesale, ethical supplier of quality Australian alpaca fleece across the spectrum from saddle to skirtings.

The initial focus will be on developing the Chinese market and promoting Australian alpaca fleece as a luxurious product.

WAFC will align itself with the world leader status achieved by the Australian Wool Exchange (AWEX), the body charged with managing and administering Australian wool classing standards, by promoting Australian alpaca fleece as being classed and sheared to similar standards developed in conjunction with AWEX.

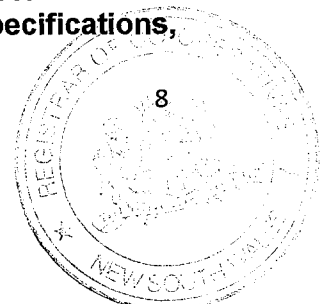
An outside consultant will be engaged to design a Waratah Alpaca Fibre logo, letterhead, marketing brochure and website. Business Cards and Stationery will be ordered together with promotional materials.

SOCIAL MEDIA STRATEGY

WAFC's key target audience for social media are Breeders (particularly NSW based ones) and Buyers (particularly Chinese buyers and domestic yarn purchasers such as Australian Alpaca Yarn and others).

For the Chinese market, key messaging will focus on the quality and luxuriousness of Australian alpaca fleece, while for the domestic market key messaging will emphasize ease of sourcing required volumes of a particular type of fleece at a consistent level of quality. The ethical supplier angle will be used with all markets as appropriate to differentiate from other suppliers.

In Australia, Facebook will be used to communicate with both member and non-member breeders with postings around information on order specifications,



collection days, Co-op meetings and training workshops to reinforce/complement the information in the quarterly e-newsletter.

The BDM to advise on appropriate social media platforms to use in the Chinese context.

Social media posting will be done at least fortnightly in the Australian context and as advised by the BDM in the Chinese context.

PRODUCT RANGE & PRICING

The product range will consist of all types of Australian alpaca fleece from saddle to skirtings.

Raw, unprocessed fibre is graded according to length, colour, staple strength and fineness (micron). Raw fibre needs to be appropriately classed and baled for sale. Prices for alpaca fibre differ based on the length, colour, staple strength and micron.

Pricing per unit varies based on the quality and fineness of the fibre and can range from \$4 per unit for skirtings (the lowest quality) to \$40 per unit for super fine premium white fibre (highest quality).

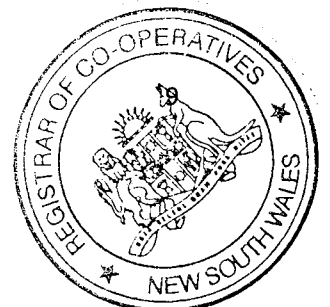
The Australian Wool price index (Eastern Market) reached a record high of \$18.18 per kilo in January 2018 after reaching a low of \$4.65 per kilo in November 1998. Whilst the index has since eased slightly prices are still strong with the index closing at \$17.76 as at 13th April 2018. These prices are being driven by strong demand particularly from China. WAFC international enquiries have also been strong with buyer enquiries to-date of up to 100 tonnes from China as well as the UK, USA, India and South Korea.

KEY PARTNERSHIPS

Developing and maintaining key partnerships will be critical to the success of WAFC. Key partnerships can assist to leverage resources, markets and impact on sustainability.

To date several key partnerships have been developed with the following organizations (please see table below):

<i>Organisation</i>	<i>Role</i>
Australian Alpaca Association	AAA will assist with promoting Australian alpaca fibre to the Australian and international market through market research, trade missions and attendance at Trade Fairs, fleece workshops for breeders, registration of licensed AWEX alpaca classers and maintaining classing through an industry code of practice. Encourage improvements in breeding quality via showing and judging and industry funded R&D.



Austrade	Assist with sourcing international markets, with a special focus on the Asian market. Access to Austrade Market Development Grants and identify other export related grants.
Chinese Wool Traders Association	Potential buyer or link to buyers in China
Farming Together	Funding for a full-time Business Development Manager and Website Development.
Michelle Wool	Assistance with scouring, domestic and international freight and meeting market demand in China.

OPERATIONAL PLAN

Waratah Alpaca fibre will purchase fleece from member and non-member alpaca breeders in Australia and store it in a variety of collection points sought from members throughout the state with a view to classing fibre at these collection points and transporting to the central storage facility in Mittagong.

The key resources WAFC will set up for this purpose is a fully equipped storage facility in Mittagong and satellite collection hubs in Central Western NSW, New England, NSW Far North Coast, NSW Far South Coast, Hunter & Monaro regions. Deb Smith and Dale Brown will identify members willing to take on the responsibility at these local collection points.

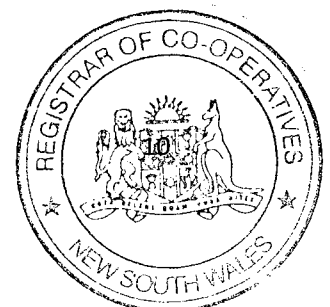
The storage capacity at Mittagong will be 150 bales. Classing and storage of bales will be done in two separate sheds. The Mittagong facility will be equipped with software and technology to communicate with and show samples to buyers via Zoom, UberConference or a similar application, process payments efficiently to breeders, and from buyers, track stock and carry out other operational management processes as required.

The key activities of WAFC will be to transport, class, scour and carbonize fleece and pack into bales ready to be picked up or freighted to customers. Developing a consistent and transparent classing system and communicating it to breeders and buyers will be a critical part of this process. The envisaged JV with Michelle Wool will assist with freighting the fleece and scouring it for export. If required, other freight companies will be identified, and contracts developed.

Please refer Annex 3 for Procedures on Supplying Fleece to WAFC.

QUALITY CONTROL

Breeders will be required to undertake the following measures in supplying fleece to the Co-op:



- All fleece shall be mid-side tested on an OFDA 2000 instrument with the trim high setting switched OFF within one month prior to shearing to assist with classing and timely payments to breeders
- Mandatory saddle first shearing to reduce contamination with secondary cuts
- All fleece shall be skirted to the requirements set down by the Co-op
- All breeders supplying to the Co-op shall be required to attend at least one AAA approved fleece preparation workshop per annum to keep up with the latest developments as part of their commitment to continuous improvement
- All breeders are required to submit their own fleece sampling results when supplying fleece

To assist with classing, supplied fleeces will be re-tested by the Co-op upon collection.

The fleece will be tested at the collection point and suppliers issued a delivery receipt stating the number of fleece, weight and date of delivery. Breeders will receive payment via EFT within 30 days of classing.

ORGANIZATIONAL STRUCTURE

The WAFC Board will consist of 6 Directors to be elected at the initial Co-op formation meeting. The Directors will be responsible for overall governance, management and strategic direction of the Co-op and be accountable for delivering performance in line with the Co-ops' goals and objectives.

The Operations Team will consist of the following personnel:

- General Manager (part-time)
- 2 Contract Wool Classers
- Casual Wool Assistants (2 to start with)
- Administration/Finance Assistant (part-time)
- Business Development Manager with Chinese market expertise (full-time, subject to funding)

Initially the roles of General Manager and Administration/Finance Assistance will be filled by Board Members.

RISK MANAGEMENT PLAN

Business insurances

WAFC will engage an insurance broker to advise on the appropriate level of cover for its operations including damage or loss to stock due to adverse weather conditions, transport, storage, processing, as well as guarding against theft and burglary.

The following insurances will be obtained subject to advice from an insurance broker on the level of appropriate cover: Public Liability, Product Liability, Business Interruption, Burglary, Employee Dishonesty, Goods in Transit, Loss of Money, Machinery Breakdown, Directors and Officer Liability and Workers Compensation.



Work, Health and Safety

A Work, Health and Safety policy will be developed to comply with all legislative requirements. A member of AAA with expertise in this area will be engaged to prepare this policy.

FINANCIALS

Some of the key cost structures for WAFC are lease and maintenance of the storage facility, freight and processing (classing and baling) of fleece.

The key source of revenue for WAFC are margins on fleece. Members will receive 14% higher returns on their fleece than non-members, resulting in 20% Gross Margins from members and 30% Gross Margins from non-members for WAFC. It is estimated that 2/3 of the supply will come from non-members. Annual membership fees of \$100 and joining fees of \$50 based on a start-up membership of 50 members also provide modest additional revenues.

The following analysis is based on projected financial forecasts done by Steven O'Keefe and Michael Williams for WAFC (please refer Annex 4:10-Year Financial Business Plan).

Based on an annual supply of 70 tons of fleece (which includes 22 tons of lower quality skirtings), the Co-op is expected to return a modest profit of \$4,654 during its first year of operation. This is expected to more than double in the 2nd year of operation to \$10,371 and projected to almost double in the 3rd year again to \$19,821. Following on, profit is expected to rise steadily to reach the \$90,000 by the 9th year of operation.

Based on a 50 per cent pay-out ratio, dividends will increase from \$23 per share in the 1st year to \$448 per share by the 10th year, which is an attractive long-term investment proposition for members.

The payback period for WAFC is 2.8 years.

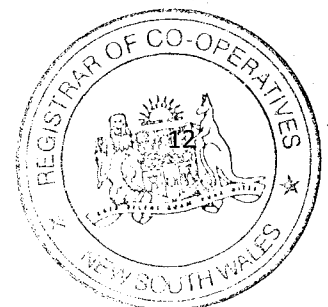
The annual cashflow analysis is positive, with annual projected ending cash balances starting at \$32,000 in the first year and projected to rise to around \$444,000 by the 10th year.

Please refer Annex 4 for financial projections.

ACHIEVEMENTS TO DATE

Since the Business Planning workshop held with some of the proposed WAFC Directors in December 2017, significant progress had been achieved as outlined below:

- Awareness raised of the intended Co-op formation with assistance of the AAA via an email to NSW members in December 2017 and Northern NSW/Southern members in January 2017, together with an article in the AAA's World of Alpacas January 2018 edition.

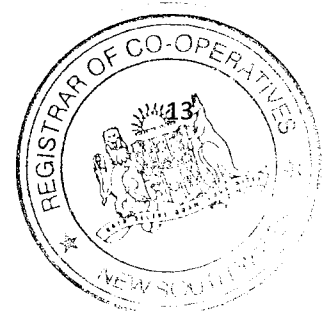


- Number of Expressions of Interest for membership received to date as a result of this and more expected with circulation of the completed business plan amongst the AAA membership.
- Extensive Cashflow developed by Steven O’Keefe and Michael Williams.
- Buyer relationships are being developed by Michael Williams with several international buyers including those from the UK, China & US, with an annual standing order for an international order for 4 tons of black or white Suri fleece secured.
- In Feb 2018 AAA members, Chris Williams and Sharon Dawson on a Trade Mission to China developed a relationship with a major buyer H. Dawson & Co., who purchased 2.2m kg of alpaca fibre from South America in 2017. They have expressed interest in purchasing both Huacaya and Suri, white Australian alpaca fibre. Currently awaiting a description of categories and pricing from this buyer.
- Potential to supply fibre to Michelle Wool’s mill based in China was also developed on the same Trade Mission above. Currently awaiting parameters and attributes. WAFC is also in the process of developing a JV with the parent company which is based in Adelaide.
- 3 AAA directors to promote the Australian Alpaca industry and Australian Alpaca fibre with trade stand at the China Wool and Textile Association Expo in April 2018. WAFC intends to attend future CWTA trade fares with its own trade stand.

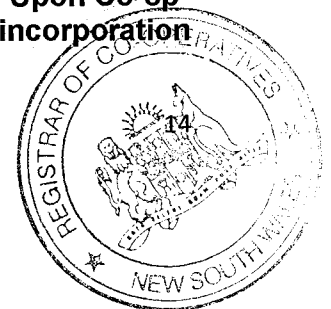
PROJECT PLAN

The table below outlines the Project Plan of WAFC for the next 6 months.

Task	Responsible	Timeline
Co-op membership drive to attract 50 members (circulate Business Plan, Facebook posts)	Michael & Karen Williams	April 2018
Identify Co-op members willing to co-ordinate state-wide fleece collection points	Deb Smith & Dale Brown	April 2018
Fit out Mittagong Facility (wool stands, classing lines, concrete flooring, wooden pallets)	Michael Williams	May 2018
Recruit Classers and Wool Assistants	Michael Williams	May 2018



Task	Responsible	Timeline
Set up collection points protocols		May 2018
1. Finance & Admin – Develop sales & delivery note procedures	Steven O’Keefe	
2. Develop pre-classes policies & procedures	Bob Kingwell	
3. Develop classing policies & procedures	Michael Williams	
Open a bank account	Steven O’Keefe	May 2018
Purchase 2 fibrelux micron sampling meters	Bob Kingwell	May 2018
Set prices for each line based on current market pricing for the fibre and allowing for the Co-op’s administration, classing and selling costs (to be updated regularly)	Board	May 2018
Develop Fleece Preparation Manual	Bob Kingwell	May 2018
Publish Fleece Preparation Manual on website and email a copy to members	Karen Williams	May 2018
Organise schedule of Fleece Preparation Workshops (FPW) to post on website	Bob Kingwell & Dale Brown	May 2018
Email dates of FPWs to members	Karen Williams	May – Nov 2018
Engage an external consultant to design a logo, letterhead, marketing brochure and website	Michael Williams	May 2018
Order business cards and stationery together with promotional materials	Michael Williams	May 2018
Prepare & submit grant applications for BDM to Farming Together & Australia China Agricultural Co-operative Agreement Grant	Steven O’Keefe	Upon incorporation
Recruit BDM (subject to funding)	Steven O’Keefe	Upon incorporation
Prepare a press release for publication in The Land Newspaper and ABC Rural	Michael Williams	Upon Co-op incorporation
Register for/organise ABN, GST, TFN & PAYG	Steven O’Keefe	Upon Co-op incorporation
Obtain a Reckon Hosted accounting software license	Steven O’Keefe	Upon Co-op incorporation
Purchase a computer and multi-function printer for Mittagong Facility	Michael Williams	Upon Co-op incorporation



Task	Responsible	Timeline
Engage an insurance broker to obtain all required insurance policies	Steven O'Keefe	Upon Co-op incorporation
Set up and design the initial Reckon Hosted chart of accounts with recipient created sales invoices and all sales and purchase items and GST tax codes	Steven O'Keefe	Upon Co-op incorporation
Book-keeping, accounts payable, sales invoicing and weekly payroll	General Manager	Daily/Weekly
Prepare monthly financial reports with comparison to budget for the Board	Steven O'Keefe	Monthly
Prepare and lodge BAS (Business Activity Statements)	Steven O'Keefe	Quarterly
Prepare e-newsletters	Karen Williams	Quarterly
Maintain electronic statutory membership and office registers	Co-op Secretary	On-going
Appoint audit firm	Board	May 2018



ANNEXES

ANNEX 1: METHODOLOGY, REFERENCES & SOURCES OF INFORMATION FOR THE BUSINESS PLAN

As an emerging industry, availability of industry reports or other relevant studies were limited. In order to prepare the business plan for WAFC, several different methodologies were used to gather information. These different methodologies are outlined below:

1. Workshop with Co-op members

A business planning workshop was held with Michael Williams, Bob Kingwell, Dale Brown, Ian Frith, Chris Williams and Steven O'Keefe in Mittagong in Dec 2017. The workshop was facilitated by the author and Sam Byrne representing Co-ops NSW. The workshop used a tool called the Business Model Canvas to gather information on the envisaged WAFC business model. The outputs of this workshop were analysed and incorporated into the business plan.

2. Documents provided by WAFC

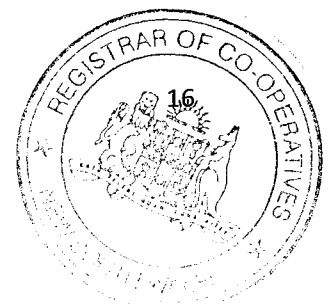
WAFC provided the following documents which were analysed and relevant information used in the business plan:

- Financial forecasts and related assumptions supplied by Steven O'Keefe and Michael Williams
- Business planning notes supplied by Bob Kingwell
- "New NSW Fibre Growers Co-op" article written by Steven O'Keefe
- AAA Council Meeting Presentation on the Feb 2018 China Trade Mission and market research
- Project Plan supplied by Steven O'Keefe

3. Online Research

Input for the business plan was gathered via the following online resources:

- Australian Alpaca Association (AAA)
- AgriFutures Australia
- Alpaca industry seeking to double Australian herd numbers within years - ABC article, 11 Jan 2018
- Australian alpacas fuel Chinese industry – The Lead (South Australia), 26 June 2017
- 'Cute, cuddly and low maintenance' alpacas booming in Australia – ABC Article, 6 Nov 2015
- Wanted: more alpaca fleece - Farm Online National, 16 Jan 2012



ANNEX 2: THE WARATAH ALPACA FIBRE CO-OP

Waratah Alpaca Fibre Co-op (WAFC) is based in NSW, with membership open to alpaca breeders nationally. The formation of other interstate Co-ops will be encouraged and supported to help with supply and management with a view to forming a national Co-op down the line. It is estimated that around 50 breeders will join the Co-op in its first year of operation.

The Co-op will operate autonomously and independently of the Australian Alpaca Association (AAA).

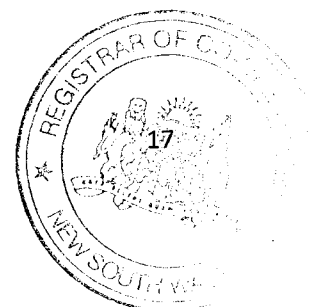
The central collection point for fleece will be Mittagong, NSW with other collection points in Central Western NSW, New England, NSW Far North Coast, NSW Far South Coast, Hunter & Monaro regions. Fleece will be purchased from member and non-member breeders nationally.

WAFC will be established as a for profit (trading) Co-op with dividends paid out to members. Members will be required to purchase a minimum of 10 shares at \$100 each. They may acquire up to \$10,000 worth of shares, however, as per the Co-op rules, regardless of the number of shares, each member will have one voting right. Additional shares will however, provide additional rights to dividends. Under the rules of a Co-operative no member will be able to own more than 20% of the issued capital.

As a members' owned Co-operative, the objectives of WAFC are to:

- Maximize the returns to members for their alpaca fibre
- Develop the Australian alpaca fibre industry, supporting quality, sustainable production and increasing supply to purchasers in all colours and classes
- The key activities of WAFC are as follows:
 - Set a fair price to attract breeders of alpaca fleece in NSW to sell their fleece to the Co-op
 - Purchase the fleece, store and class into bale quantities which meet market requirements and attract a premium price
 - Market and sell fibre to both domestic and international buyers with a particular focus on developing Asian markets for Australian fibre
 - Support the development of members' farms through sharing best practice and running workshops
 - Bulk purchasing for its members

The Co-op will look at value add options to increase the members' returns such as scouring and product development down the line. A potential investment into a scouring facility is currently being explored.



For further information on the proposed Co-op follow WAFC on [Facebook](#) or alternatively contact Michael Williams via email waratahalpacafibre@gmail.com.

ANNEX 3: PROCEDURES FOR SUPPLYING FLEECE TO WAFC

Fibre Collection Points

Coolaroo's Mittagong facilities will be the central collection and storage point. Satellite hubs will be located in Central Western NSW, New England, NSW Far North Coast, NSW Far South Coast, Hunter & Monaro regions. Contact persons at each of these collection points will be communicated to members via the e-newsletter and website.

Members will be able to drop off their fleeces after shearing and skirting at any collection point above. Consignment notes will be issued to members at that point. Collection days at these sites will be advertised to members and will coincide with the regional shearing season. Fleeces will be transported to the central Coolaroo facility for classing and valuation purposes within 3 weeks of the regional Collection Days.

The Coolaroo Mittagong sheds will be fitted out with wool stands for the various classing lines and concrete flooring for the main storage shed. Wooden Pallets will raise storage of bales off the flooring.

Fleece Preparation

All fleeces must be mid-side sampled, properly skirted and free of vegetable matter upon delivery to the relevant collection point. These fleeces should be baled in approved fleece bags by the farmer with the mid side sampling result included in this bag. The name of the grower should be included in this bag Legs and necks should be sorted separately into different bags due to varying lengths and clearly labelled as such. Skirtings of short and overgrown fleece should also be separated. The separate skirtings and leg and necks bags should be provided to the Co-op collection point in the main saddle fleece bag with care taken to ensure no cross contamination.

Fleece sampling results are required to be supplied with the high trim setting off.

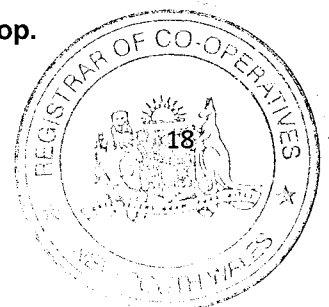
Members will be able to refer to the Fleece Preparation Manual on the Co-op's Website for more details.

Fleece Preparation Training

In conjunction with the NSW regional committee of the AAA, the Co-op will run fleece preparation training workshops to assist with the quality of pre-classing fleece preparation.

To maximize the return on the supply of their fleece all members of the Co-op and non-member growers will be encouraged to participate in an AAA fleece preparation workshop before the 2018/19 shearing season. To ensure that fleece preparation skills are maintained and developed to the highest standard ongoing annual attendances will also be encouraged. Growers will be paid lower prices for inadequately prepared fleeces.

A register of training workshop attendances will be maintained by the Co-op.



The initial fleece preparation workshops will be held before the 2018 shearing season at the various Co-op drop off locations, These workshops will be organised and information on their dates and locations will be published on the Co-op's website and emailed to all members of the Co-op and to all members of the NSW region of the AAA (NSW Regional committee of the AAA).

Classing & Valuation of Fibre

All fibre will be classed and sorted in accordance with the current AAA classing Code of Practice, by AWEX approved contracted classers as outline below. Casual wool assistants will assist the classers. Fibrelux micron sampling meters will be used for classing.

	micron	Classing colours include
Sheer Ultra	< 16	White & Off-White
Ultrafine	16.6-18.5	Light Fawn
Superfine	18.6- 20.5	Fawn
Fine	20.6-24.5	Brown
Medium	24.6-28.5	Dark Brown
Strong	28.6 -36.5	Brown Black
Extra Strong	>36.5	Rose Grey
		Grey
		Black

For members supplying more than 300kg in any one delivery these contracted classers will be available to sort and class on-farm. The contracted classers will be paid by the Co-op at the agreed daily rate. All other fleece will be classed and valued at the central Coolaroo facility.

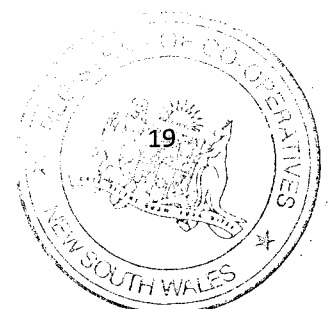
The board will set the prices for each line based on current market pricing for fibre and allowing for the Co-op's administration, classing and selling costs. Pricing will be advertised by the board and updated regularly.

All fleeces will be classed and valued within 3 weeks of receipt at Coolaroo and a Recipient Created Tax Invoice issued.

Transport & Logistics

All fleece from the various drop off locations and from farms classed on-site will be freighted to Coolaroo, Mittagong within 3 weeks of the regional collection day. Independent freighting companies will be employed for this purpose (namely through Australian Wool Handlers).

Upon sale Australian Wool Handlers will again be engaged to freight the baled fibre to the buyer. This will be at the buyer's cost. Fibre for scouring will be freighted to Michell's Adelaide facility for this purpose. Again, scouring and freighting costs will be passed onto the buyer.



ANNEX 4: 10-YEAR FINANCIAL PROJECTIONS – WAFIC

10-Year Financial (Business) Plan—"Waratah Alpaca Fibre" Profit and loss projections

Year-by-year profit and loss assumptions										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual cumulative price (revenue) increase	-	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Annual Supply Increase	-	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Annual cumulative inflation (expense) increase	-	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	\$2,050									
Sales revenue	\$909,500	\$977,713	\$1,051,041	\$1,129,869	\$1,214,609	\$1,305,705	\$1,403,633	\$1,508,905	\$1,622,073	\$1,743,729
Cost of goods sold	\$866,936	\$716,957	\$770,728	\$828,533	\$890,673	\$957,473	\$1,029,284	\$1,106,480	\$1,189,466	\$1,278,676
Gross margin	\$242,564	\$260,756	\$280,313	\$301,336	\$323,936	\$348,231	\$374,349	\$402,425	\$432,607	\$465,052
Other revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Membership Fees	\$5,000	\$6,500	\$8,450	\$10,985	\$14,281	\$14,281	\$14,281	\$14,281	\$14,281	\$18,586
- Membership Joining Fees	\$2,500	\$750	\$275	\$1,288	\$1,846	\$0	\$0	\$0	\$0	\$0
Interest income	\$255	\$275	\$508	\$820	\$1,233	\$1,768	\$2,067	\$2,420	\$2,830	\$3,303
Total revenue	\$250,319	\$268,281	\$290,244	\$314,409	\$341,098	\$364,280	\$390,697	\$419,126	\$449,718	\$486,920
Operating expenses										
Accountancy Fees	\$5,000	\$5,125	\$5,253	\$5,384	\$5,519	\$5,657	\$5,798	\$5,943	\$6,092	\$6,244
Advertising	\$2,000	\$2,050	\$2,101	\$2,154	\$2,208	\$2,263	\$2,319	\$2,377	\$2,437	\$2,498
Audit Fees	\$7,500	\$7,688	\$7,880	\$8,077	\$8,279	\$8,486	\$8,698	\$8,915	\$9,138	\$9,366
Ball Bags	\$7,778	\$8,361	\$8,968	\$9,602	\$10,267	\$10,966	\$11,703	\$12,480	\$13,299	\$14,161
Computer Software	\$1,000	\$1,025	\$1,051	\$1,077	\$1,104	\$1,131	\$1,160	\$1,189	\$1,218	\$1,249
Depreciation Sheds/Buildings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation Equipment	\$0	\$2,000	\$2,500	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500	\$6,000
Freight	\$31,833	\$34,220	\$36,786	\$39,545	\$42,511	\$45,700	\$49,127	\$52,812	\$56,773	\$60,986
Insurance - General	\$5,000	\$5,125	\$5,253	\$5,384	\$5,519	\$5,657	\$5,798	\$5,943	\$6,092	\$6,244
Insurance - Workers Compensation	\$5,813	\$6,061	\$6,312	\$6,568	\$6,827	\$7,090	\$7,357	\$7,629	\$7,906	\$8,188
Light & Power	\$9,000	\$9,200	\$9,405	\$9,615	\$9,831	\$10,051	\$10,276	\$10,506	\$10,741	\$10,981
Maintenance, repair, and overhaul	\$2,050	\$2,101	\$2,154	\$2,208	\$2,263	\$2,319	\$2,377	\$2,437	\$2,498	\$2,560
Printing & Stationery	\$1,000	\$1,025	\$1,051	\$1,077	\$1,104	\$1,131	\$1,160	\$1,189	\$1,218	\$1,249
Rent	\$12,000	\$12,300	\$12,600	\$12,923	\$13,246	\$13,577	\$13,916	\$14,264	\$14,621	\$14,986
Superannuation	\$12,825	\$13,146	\$13,474	\$13,811	\$14,156	\$14,510	\$14,873	\$15,245	\$15,626	\$16,017
Telephone	\$2,000	\$2,050	\$2,101	\$2,154	\$2,208	\$2,263	\$2,319	\$2,377	\$2,437	\$2,498
Travel Expenses	\$5,000	\$5,125	\$5,253	\$5,384	\$5,519	\$5,657	\$5,798	\$5,943	\$6,092	\$6,244
Wages - General Manager	\$50,000	\$51,250	\$52,521	\$53,815	\$55,131	\$56,470	\$57,835	\$59,224	\$60,628	\$62,048
Wages - Wool Pressers/Labourers	\$10,000	\$10,250	\$10,506	\$10,768	\$11,036	\$11,311	\$11,592	\$11,879	\$12,174	\$12,488
Wool Classifier/Contractors	\$75,000	\$76,875	\$78,797	\$80,767	\$82,786	\$84,856	\$86,977	\$89,151	\$91,380	\$93,665
Total operating expenses	\$243,899	\$253,376	\$262,904	\$272,203	\$281,894	\$291,993	\$302,541	\$313,549	\$325,048	\$336,225
Operating income	\$6,420	\$14,205	\$27,340	\$42,206	\$59,205	\$72,281	\$88,155	\$105,577	\$124,669	\$123,696
Interest expense on long-term debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating income before other items	\$6,420	\$14,205	\$27,340	\$42,206	\$59,205	\$72,281	\$88,155	\$105,577	\$124,669	\$123,696
Loss (gain) on sale of assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other unusual expenses (income)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings before taxes	\$6,420	\$14,205	\$27,340	\$42,206	\$59,205	\$72,281	\$88,155	\$105,577	\$124,669	\$123,696
Taxes on income	\$-77,50%	\$-1,765	\$-3,934	\$-7,518	\$-11,607	\$-16,281	\$-21,977	\$-29,034	\$-37,284	\$-46,016
Net income (loss)	\$4,654	\$10,371	\$19,821	\$30,600	\$42,923	\$56,004	\$66,178	\$76,543	\$87,385	\$77,680
Dividends	\$-2,327	\$-5,185	\$-9,911	\$-15,300	\$-21,462	\$-28,202	\$-35,688	\$-43,872	\$-52,719	\$-62,244
Dividends per Share	\$-23.27	\$-51.85	\$-99.11	\$-153.07	\$-214.76	\$-282.10	\$-310.77	\$-382.87	\$-462.22	\$-462.70
Issued Shares	500	650	845	1099	1420	1420	1420	1420	1420	1420

Prepared by Steven O'Keefe B.Com C.A 6/04/2018



10-Year Financial (Business) Plan—"Waratah Alpaca Fibre"
Cash Flow Projections

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Operating activities											
Net Income - (less Operating Expenses)	\$4,654	\$10,371	\$19,821	\$30,000	\$40,023	\$62,404	\$63,013	\$75,643	\$80,385	\$85,679	\$481,253
Depreciation	\$0	\$5,000	\$5,500	\$5,500	\$5,500	\$4,000	\$4,500	\$5,000	\$5,500	\$5,000	\$38,000
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other operating cash flow items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total operating activities	\$4,654	\$15,371	\$25,321	\$35,500	\$45,523	\$66,404	\$67,513	\$80,643	\$85,885	\$90,679	\$519,253
Investing activities											
Capital expenditures	\$20,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$40,000
Total investing activities	\$20,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$40,000
Financing activities											
Dividends Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term debt financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Share Capital Funding	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$40,000
Total financing activities	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$40,000
Cumulative cash flow	\$24,654	\$35,745	\$55,166	\$90,666	\$136,189	\$202,593	\$269,106	\$349,749	\$435,634	\$526,313	\$1,059,253
Beginning cash balance	\$0	\$24,654	\$59,818	\$90,666	\$140,689	\$207,089	\$273,089	\$348,689	\$434,189	\$529,189	
Ending cash balance	\$24,654	\$35,745	\$55,166	\$90,666	\$136,189	\$202,593	\$269,106	\$349,749	\$435,634	\$526,313	\$1,059,253

